HUNGARIAN RENEWABLE AUCTION- DESIGN AND CHALLENGES

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Renewable situation in Hungary

- 2020 Renewable energy target for Hungary is **13%**, but in Renewable Energy Action Hungary aimed for **14.65%**
  - Renewable energy share declined in recent years, in 2013 it was 16.2%, which decreased to 12.2% until the end of 2018 (preliminary)
  - Questionable whether Hungary will reach its target for 2020
- The renewable energy share in the electricity sector was **8.5%** in 2018.
- There is approximately **1 GW of installed PV and 330 MW of wind capacities**, plus some biomass and hydro capacities present in the Hungarian electricity system.
- Renewable support scheme (old FIT system) was changed in at the beginning of 2017 to the new Metár system (FIP), which resulted in a **large capacity extension for PV**
  - **2.5 GW of capacity requests**

Main design elements of the auction

- **Technology neutral auction**
  - In practice, the auction aims for PV as because of the governmental regulation, it is not possible to build wind power plants in Hungary and other technologies are not competitive with PV
- **Static, pay as bid, FIP auction with simultaneous volume and budget constraints**
  - Volume: 200 GWh/year of served energy (equivalent with approximately 150 MW of PV capacity)
  - Budget: 1 billion Hungarian Forint (equivalent with approximately 3 million EUR)
- **Two separate auction baskets, differentiated based on project size**
  - Capacities between 0.3 and 1 MW (1/3 of the auctioned volume, and budget allocated)
  - Capacities between 1 MW and 20 MW (2/3 of the auctioned volume, and budget allocated

Main design elements II.

- Support period **15 years**
- Ceiling price is equivalent for all technologies and baskets
  - 26,08 HUF/kWh (which is equivalent with approximately **78 EUR/MWh**)
- **3 years realisation time** for all projects
- Only producers **within the territory of Hungary** can participate (will be different in future auctions)
- Producers will have a **balancing responsibility** toward the system
- Bid submission period 04.11.2019-02.12.2019
  - Currently happening! ☺

Questions and challenges related to the auction

Short-term (associated with the current auction)

- **Potential high prices at the tender for smaller projects** (see Poland)
  - It is more difficult for small projects to secure financing
  - Balancing cost may be significantly higher for smaller producers
- **Intensity of competition**

Mid- or long-term

- **Regulatory problems with network connection conditions**
  - Market players extend their existing connection capacity cheaply which results in shortage of free connection points
- **Issues with land-rights**
  - Strict rules of land ownership (foreign ownership?)
  - Uncertainty about the legal status of a PV power plant (movable or unmovable property)

Thank you very much for your attention!

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